
Real Estate Practice, Fifth Edition Quizzes

Online and CD-ROM Version

Instructions: Quizzes are open book. All answers are True/False or Multiple Choice.
Answer key is located on Page 12.

Quiz 1 — Chapters 1-6, Pages 10-43

- ____ 1. When testing the conduct of a sales agent, an independent contractor provision in a broker-agent employment agreement cannot change the sales agent's status as:
 - a. an agent of the client.
 - b. an agent of the broker.
 - c. both a and b
 - d. neither a nor b
- ____ 2. An outside salesperson is defined as a person who regularly works:
 - a. more than half of his time away from his place of employment.
 - b. less than half of his time away from his place of employment.
 - c. both a and b
 - d. neither a nor b
- ____ 3. An interviewing sales agent should ask a prospective broker:
 - a. how many sales the agent will likely close during his first year.
 - b. the fee-sharing schedule offered by the broker.
 - c. both a and b
 - d. neither a nor b
- ____ 4. The best time for a sales agent to renegotiate his share of the brokerage fees is:
 - a. at the height of a booming market.
 - b. during the slowdown following the boom.
 - c. just prior to an upswing in sales.
 - d. none of the above
- ____ 5. A new agent who learns the ropes as an assistant to a more experienced agent in the office is called:
 - a. an independent contractor.
 - b. a runner.
 - c. a transaction coordinator.
 - d. none of the above
- ____ 6. Agents must be members of the trade association who owns a multiple listing service (MLS) in order to access the MLS database.
- ____ 7. A _____ relationship is created between a seller and a buyer's agent when the seller pays the buyer's agent's fee.
 - a. subagency
 - b. dual agency
 - c. both a and b
 - d. neither a nor b
- ____ 8. During negotiations, a dual agent may pass on any information relating to the terms of payment from the buyer to the seller without their prior consent.
- ____ 9. A broker must disclose to his seller the existence of an indirect interest one of the broker's agents will acquire in the property.
- ____ 10. A Compensation Disclosure form is used to inform sellers/buyers of the broker's ownership interest in an affiliated company.

Quiz 2 — Chapters 7-10, Pages 44-74

- 1. The content of the Agency Law Disclosure form is not dictated by statute.
- 2. A separate agency confirmation provision is not mandated for inclusion in purchase agreement forms.
- 3. An Agency Law Disclosure form is to be given to all parties by an agent when listing:
 - a. other than one-to-four unit residential property.
 - b. mobilehomes.
 - c. both a and b
 - d. neither a nor b
- 4. An open listing does not need to contain an expiration date.
- 5. A listing agent must disclose to the seller the brokerage fee he will receive on a net listing:
 - a. before the close of escrow.
 - b. before the seller signs the listing agreement.
 - c. before the seller accepts a buyer's offer.
 - d. none of the above
- 6. A broker may not include a provision for advance fees in a guaranteed sale listing.
- 7. An exclusive right-to-sell listing agreement must give a specific date as the expiration date of the listing.
- 8. An hourly fee may be negotiated for diligent time spent on behalf of the seller if the property does not sell.
- 9. A broker may enforce collection of his fee:
 - a. when the seller accepts a full listing offer.
 - b. when the seller rejects a full listing offer.
 - c. both a and b
 - d. neither a nor b
- 10. A right-to-buy listing supersedes a replacement property provision in an exclusive right-to-sell listing.

Quiz 3 — Chapters 11-17, Pages 75-120

- 1. A broker will be paid a full listing fee on the further leasing of the listed property without the broker's consent if a(n) _____ is included in the listing agreement.
 - a. withdrawal-from-sale clause
 - b. termination-of-agency clause
 - c. exclusive right-to-sell clause
 - d. none of the above
- 2. A broker can require a seller to relist with him if the seller decides to sell within a negotiated cancellation period.
- 3. The safety clause period commences on:
 - a. the expiration of a listing agreement by its own terms.
 - b. a seller's termination of the agency before the listing period expires.
 - c. a seller's withdrawal of the property from the market before the listing period expires.
 - d. any of the above

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4. A properly worded and perfected safety clause is enforceable:
- only when a seller relists with the original agent.
 - only in a seller's listing.
 - even when a seller relists with another broker.
 - none of the above
5. Sales which are "as is," i.e., sold without disclosure, are prohibited.
6. A broker must keep all advance cost accounting statements for at least:
- one year.
 - three years.
 - five years.
 - ten years.
7. Placing a "For Sale" sign _____ is a misdemeanor public nuisance.
- on private property with the owner's permission
 - on public property with the city's permission
 - both a and b
 - neither a nor b
8. Under the Statute of Frauds, a buyer's promise to pay a brokerage fee must be in writing and signed in order for the broker to be paid for his services.
9. A safety clause is enforceable in an exclusive right-to-sell listing agreement, but not in an exclusive right-to-buy listing agreement.
10. A subagent is:
- the agent of the buyer.
 - the agent of the seller.
 - the agent of the buyer's broker.
 - none of the above

Quiz 4 — Chapters 18-23, Pages 121-162

1. Brokerage fee provisions in a purchase agreement should be placed:
- above the buyer's signature.
 - within the four corners of the contract.
 - both a and b
 - neither a nor b
2. Brokers become third party beneficiaries when both parties agree in writing to the payment of a brokerage fee.
3. When a buyer has orally agreed to pay a brokerage fee, and the seller knowingly induces the buyer to breach his promise to pay, the seller owes the broker the promised fee.
4. The best protection a broker has against the alteration of brokerage fee instructions is to dictate unilateral fee instructions.
5. A bona fide employee finder of a broker may not be compensated for referrals under the Real Estate Settlement Procedures Act (RESPA).
6. Agent-activity records on behalf of a buyer during the listing period must be retained by:
- the agent.
 - the buyer's broker.
 - the buyer.
 - the seller's broker.

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- 7. A listing agent does not have a duty to investigate the accuracy of any information before passing it on to a prospective buyer.
 - 8. A listing agent's visual inspection of a one-to-four unit residential property must include defects:
 - a. known to the listing agent.
 - b. readily observable by the listing agent.
 - c. both a and b
 - d. neither a nor b
 - 9. A listing agent's opinion given to a buyer becomes a statement of fact due to his fiduciary relationship with the buyer.
 - 10. An inexperienced seller can rely on an agent's opinion as fact when the agent holds himself out as a specialist in regards to the opinion's subject matter.

Quiz 5 — Chapters 24-27, Pages 163-191

- 1. The use of an "as is" provision to make the buyer waive delivery of a Transfer Disclosure Statement (TDS) is void as against public policy.
- 2. A buyer wishing to recover losses caused by a listing agent's negligent failure to disclose known material defects has _____ to pursue his losses.
 - a. one month
 - b. six months
 - c. one year
 - d. two years
- 3. A listing agent is exempt from conducting a visual inspection of one-to-four unit residential property when the seller is exempt from filling out and delivering a Transfer Disclosure Statement (TDS) to a buyer.
- 4. An automatic reverse safety device is required for all automatic garage doors installed after:
 - a. January 1, 1990.
 - b. January 1, 1991.
 - c. January 1, 1992.
 - d. January 1, 1993.
- 5. A separate form must be filled out if the water heater is marked as not being in compliance on a TDS form.
- 6. The use of a home inspection report (HIR) does not relieve a listing agent of his duty to visually inspect the property.
- 7. If a buyer discovers an error in a HIR which affects the property value, he has no more than _____ after the date of the inspection to file a legal action to recover any money losses.
 - a. one year
 - b. three years
 - c. four years
 - d. five years
- 8. A home inspector may not pay a referral fee to a licensee for the referral of any home inspection business.

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9. The best time for a buyer to order a home inspection report when a seller has refused to authorize the preparation of one prior to entering into a purchase agreement is:
- before opening escrow.
 - after the expiration of any contingent cancellation period.
 - after escrow has closed.
 - on opening escrow.
10. A buyer can enforce a reduction of the purchase price prior to closing for defects undisclosed to the buyer if the purchase agreement entered into contains a price adjustment provision.

Quiz 6 — Chapters 28-31, Pages 192-224

1. A Natural Hazard Disclosure (NHD) must disclose whether the listed property is located within _____ of a proposed airport when the NHD is prepared by an NHD expert.
- one mile
 - two miles
 - three miles
 - none of the above
2. Any flood zone lettered _____ is subject to mandatory flood insurance requirements.
- A
 - V
 - both a and b
 - neither a nor b
3. A Natural Hazard Disclosure (NHD) requires a seller and the listing agent to disclose to a buyer whether they have any knowledge that the property is in a Alquist-Priolo fault zone.
4. Section I items on a Structural Pest Control (SPC) report are conditions which will likely lead to infestation.
5. Areas which do not need to be inspected during an SPC inspection include:
- attics with inadequate crawl space.
 - floors covered by carpet.
 - both a and b.
 - neither a nor b.
6. A federally mandated Environmental Hazards Disclosure form must be used to give a buyer notice of environmental hazards on or near the listed property.
7. Non-friable asbestos cannot become friable asbestos.
8. A seller has a duty to investigate whether his property contains toxic mold.
9. Unless a seller agrees to eliminate any lead-based paint hazards, the seller does not have a duty to clean up a hazard.
10. Lead-based paint was banned by the Federal Consumer Product Safety Commission in:
- 1940.
 - 1973.
 - 1978.
 - 1996.

Quiz 7 — Chapters 32-35, Pages 225-250

- ____ 1. Annual increases in the dollar amount levied as regular assessments are limited to a _____ increase over the prior year's assessments.

 - a. 5%
 - b. 10%
 - c. 20%
 - d. none of the above
- ____ 2. A buyer's agent should have his buyer request a list of defects from a homeowners' association in order to get a better idea of the probability of regular and special assessment increases in the near future.
- ____ 3. A homeowners' association must provide the documents requested by a seller within _____ of the seller's written request.

 - a. 3 days
 - b. 5 days
 - c. 10 days
 - d. 21 days
- ____ 4. On one-to-four residential dwellings, a listing agent has an affirmative duty to disclose his knowledge of possible tax consequences.
- ____ 5. To avoid misleading a seller, a listing agent should:

 - a. disclose the full extent of his tax knowledge.
 - b. advise the seller to seek the advice of a tax professional.
 - c. insert a further-approval contingency in the purchase agreement after giving tax advice.
 - d. all of the above
- ____ 6. As a matter of competency, a broker should understand the basics about:

 - a. the separate profit and income categories for each type of real estate.
 - b. the §1031 profit exemption.
 - c. both a and b.
 - d. neither a nor b.
- ____ 7. A listing agent has an affirmative duty to voluntarily disclose to a buyer information regarding a death on the property which occurred more than three years prior to the purchase offer.
- ____ 8. A listing agent must disclose his knowledge about deaths on the property on direct inquiry by the buyer.
- ____ 9. Deposits into an impound account are considered operating expenses.
- ____ 10. A buyer's agent, after receiving an Annual Property Operating Data sheet from the listing agent, should recommend that his buyer:

 - a. review tenant files.
 - b. confirm utility payments.
 - c. get quotes on hazard insurance premiums.
 - d. all of the above

Quiz 8 — Chapters 36-40, Pages 251-297

1. The use of a _____ requires a written carryback disclosure form on one-to-four unit residential property when the seller will partially finance the sale.
 - a. land sales contract
 - b. lease-option
 - c. conventional purchase agreement form
 - d. all of the above
2. A carryback seller is concerned with:
 - a. receiving no more than the fair market value of the property.
 - b. his loan-to-value ratio of the purchase price.
 - c. both a and b
 - d. neither a nor b
3. Adjustments and prorates for unpaid and prepaid items should be noted on a seller's net sheet.
4. During a buyer's market, a sales agent's main objective should be to create buyers.
5. To form a contract, an agreement must include:
 - a. an offer and acceptance.
 - b. consideration.
 - c. capable parties and a lawful purpose.
 - d. all of the above
6. An offer to purchase must include:
 - a. a description of the property.
 - b. the time for performance.
 - c. both a and b
 - d. neither a nor b
7. An offer to purchase must be on a standardized form to be enforceable.
8. An option agreement is a bilateral contract.
9. A seller who is not represented by an agent forms a binding contract when:
 - a. he is handed a copy of the buyer's signed counteroffer.
 - b. he receives a faxed copy of the buyer's signed counteroffer.
 - c. both a and b
 - d. neither a nor b
10. _____ terminates an offer to purchase.
 - a. Death of the offeree
 - b. Revocation by the offeror before an acceptance is submitted
 - c. Destruction of the property before acceptance
 - d. all of the above

Quiz 9 — Chapters 41-43, Pages 298-319

1. A seller's counter to an unacceptable offer to purchase can be written up on:
 - a. a new purchase agreement form.
 - b. a counteroffer form.
 - c. using the change-and-initial method.
 - d. all of the above

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- 2. The change-and-initial counteroffer technique is proper even after the original document has been signed.
 - 3. Contingency provisions are eliminated by:
 - a. approval of the information identified as the subject of the property.
 - b. waiver of the right to cancel by the person authorized to cancel.
 - c. both a and b
 - d. neither a nor b
 - 4. Written contingency provisions should include:
 - a. who has the right to cancel the purchase agreement if the event does not occur.
 - b. a description of the event addressed in the contingency.
 - c. the time period in which the event must occur.
 - d. all of the above
 - 5. The primary user of contingency provisions in purchase agreements is the buyer or buyer's agent.
 - 6. A condition which a buyer must perform without concern for whether the seller is performing is called a:
 - a. condition precedent.
 - b. condition concurrent.
 - c. condition subsequent.
 - d. none of the above
 - 7. The person with the right to cancel due to the failure of a contingency to occur may only exercise his right if he has a reasonable basis for the cancellation.
 - 8. Mutual-benefit contingencies cannot be waived except by mutual consent.
 - 9. Checking the availability of fire insurance is a subject which would be the topic of an event-occurrence contingency.
 - 10. Personal-satisfaction contingencies are identical to event-occurrence contingencies.

Quiz 10 — Chapters 44-47, Pages 320-351

- 1. A retroactive return to a seller's and buyer's former, pre-contract positions is called a:
 - a. release and cancellation.
 - b. rescission and restoration.
 - c. recession and waiver.
 - d. none of the above
- 2. A seller may only cancel a transaction via a properly worded contingency provision if:
 - a. the seller has performed all acts which must precede the event triggering the cancellation.
 - b. the event fails to occur by the appointed date.
 - c. the seller performs all other acts necessary on the seller's part to close.
 - d. all of the above
- 3. For a buyer to put a seller in default:
 - a. a date crucial to the continuation of the transaction must pass.
 - b. the event called for in the purchase agreement must fail to occur by the appointed date.
 - c. the buyer must have fully performed by the appointed date.
 - d. all of the above

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4. The simple existence of an authority-to-extend provision in a purchase agreement requires the person with a right to cancel on the failure of a contingency to occur to allow the defaulting party a reasonable, additional time period in which to perform.
5. Escrow will generally not call for funds until the seller has fully performed.
6. Agency disputes commonly arise during the _____ period.
a. marketing
b. escrow
c. post-closing
d. all of the above
7. When a sales transaction is rescinded, unknown and unsuspected claims may be waived using a general release agreement.
8. After a breach of a purchase agreement, if the property resold for \$850,000 and the original purchase price was \$550,000, the value-over-price demand would be for:
a. \$850,000.
b. \$550,000.
c. \$480,000.
d. \$300,000.
9. For a buyer to recover consequential damages, the expenses incurred must be a natural and unavoidable result of the seller's breach.
10. A buyer is entitled to 10% interest on amounts recovered for expenses incurred preparing to take title.

Quiz 11 — Chapters 48-51, Pages 352-390

1. If a breaching buyer records a Notice of Lis Pendens, the seller can recover any decline in the property's value after the date of the breach until the buyer stops interfering with resale efforts.
2. _____ are a transactional expense a seller may recover on a buyer's breach.
a. Escrow charges
b. Payoff demands
c. both a and b
d. neither a nor b
3. Recoverable losses are limited to those a seller incurs from the date of a buyer's breach until:
a. the date a resale closes.
b. the date of the withdrawal of the property from the market.
c. the later of the two dates above.
d. the earlier of the two dates above.
4. In order for a seller to keep the entire deposit on the buyer's breach, the seller must provide an accounting showing his losses equaled or exceed the amount of the deposit.
5. Without a liquidated damages provision, a seller is not entitled to recover his money losses caused by a buyer's breach.
6. A liquidated damages provision is void as it is only presumed to be valid if the amount is reasonably close to actual losses.
7. An arbitrator's award is binding and final, regardless of any defect resulting from an error of fact or law, unless the arbitration provision provided for judicial review.
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8. An arbitrator cannot:
- enforce his awards.
 - impose fines for failure to comply with awards.
 - both a and b
 - neither a nor b
9. An arbitration must award attorney fees if the agreement underlying the dispute contains an attorney fee provision.
10. Addenda which may be attached to a purchase agreement include:
- property disclosures.
 - agency relationship disclosures.
 - financing disclosures.
 - all of the above

Quiz 12 — Chapters 52-55, Pages 391-434

1. An EP agreement must be in the same language used to negotiate with the seller.
2. Under EP laws, _____ are business days.
 - Saturdays
 - most state holidays
 - both a and b
 - neither a nor b
3. If a buyer's agent fails to deliver an EP disclosure to the seller, the EP agreement is:
 - void.
 - voidable by the seller-in-foreclosure.
 - voidable by the buyer.
 - none of the above
4. A seller-in-foreclosure may recover his property within _____ after the close of escrow if the equity purchase (EP) investor took unconscionable advantage of him.
 - six months
 - one year
 - two years
 - three years
5. Both the lack of meaningful choice and terms unreasonably favorable to the EP investor must exist to show unconscionability.
6. To analyze an income-producing property, a buyer's agent should ask for:
 - an Annual Property Operating Data sheet.
 - a rent roll spread sheet.
 - an occupancy history.
 - all of the above
7. _____ is considered cash boot.
 - A carryback promissory note
 - Personal property
 - both a and b
 - neither a nor b

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8. In an option agreement, a prospective buyer is referred to as:
- an optionor.
 - an optionee.
 - offeror.
 - offeree.
9. Without consideration, an option is an offer to sell which the seller may withdraw.
10. A particular manner for exercising an option must be specified in an option agreement.

Quiz 13 — Chapters 56-59, Pages 389-424

1. A joint tenancy is legally called an ownership in severalty.
2. When the co-ownership of property is vested as tenants in common, the death of a co-owner automatically extinguishes the deceased co-owner's interest in the property.
3. Both spouses must consent to the lease for more than one year of community property vested as joint tenants.
4. A preliminary title report is:
- a representation of the condition of title.
 - an abstract of title.
 - an offer to issue a title policy.
 - none of the above
5. Encumbrances on title include:
- covenants, conditions and restrictions.
 - easements.
 - leases.
 - all of the above
6. Losses due to eminent domain are always excluded from title insurance coverage.
7. Which title insurance policy provides the most coverage?
- ALTA-R
 - CLTA
 - ALTA homeowner's
 - ALTA owner's
8. Licensed real estate brokers who represent sellers in real estate transactions where the broker will act as escrow are exempt from escrow licensing requirements.
9. Escrow must notify a buyer and seller of any suspicious fact or circumstance which affects escrow's ability to close.
10. Escrow has a duty to advise a buyer in writing of the Franchise Tax Board requirements for withholding _____ of the price paid the seller.
- 1%
 - 2 %
 - 3 1/3 %
 - 10%

Answer References

for Online and CD-ROM versions

The following are the answers to the quizzes for *Real Estate Practice, Fifth Edition* and the page numbers in the material formatted for the Online and CD-ROM versions where they are located.

Quiz 1

1. B 13
2. A 16
3. C 18
4. A 23
5. B 27
6. F 31
7. D 33
8. F 35
9. T 38
10. F 43

Quiz 2

1. F 44
2. F 48
3. B 48
4. T 56
5. C 59
6. T 61
7. T 66
8. T 67
9. C 73
10. T 74

Quiz 3

1. A 75
2. F 79
3. D 83
4. C 87
5. T 93
6. B 98
7. D 101
8. T 105
9. F 112
10. B 116

Quiz 4

1. C 122
2. T 122
3. T 125
4. F 128
5. F 134
6. B 140
7. T 144
8. C 149
9. F 156
10. T 158

Quiz 5

1. T 163
2. D 171
3. F 173
4. B 177
5. F 178
6. T 181
7. C 183
8. T 185
9. D 190
10. T 190

Quiz 6

1. B 195
2. C 200
3. T 201
4. F 206
5. C 209
6. F 214
7. F 216
8. F 218
9. T 221
10. C 221

Quiz 7

1. C 226
2. T 229
3. C 230
4. F 235
5. D 236
6. C 238
7. F 239
8. T 239
9. F 246
10. D 249

Quiz 8

1. D 251
2. B 257
3. T 262
4. T 275
5. D 284
6. C 289
7. F 289
8. F 292
9. C 294
10. D 296

Quiz 9

1. D 299
2. F 302
3. C 305
4. D 306
5. T 307
6. B 311
7. T 313
8. T 316
9. T 318
10. F 319

Quiz 10

1. B 321
2. D 328
3. D 329
4. T 332
5. T 335
6. D 337
7. F 341
8. D 347
9. T 348
10. T 349

Quiz 11

1. T 355
2. C 355
3. D 357
4. T 361
5. F 362
6. F 363
7. T 366
8. C 370
9. T 371
10. D 374

Quiz 12

1. T 391
2. C 397
3. B 399
4. C 400
5. T 401
6. D 404
7. C 423
8. B 429
9. T 432
10. F 433

Quiz 13

1. F 436
2. T 438
3. F 441
4. C 447
5. D 450
6. T 453
7. C 456
8. T 459
9. T 461
10. C 465